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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

F O R M 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

L92-2266

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 0-19036

PROCESSED BY
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LIBERTY MEDIA CORPORATION
(Exact name of registrant as specified in its charter)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

State of Delaware	84-1146903
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2232 Dell Range Boulevard, Suite 305 Cheyenne, Wyoming	82009
(Address of principal executive offices)	(Zip Code)

L3Q

Registrant's telephone number, including area code: (307) 637-8253

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

The number of shares outstanding of the registrant's common stock, as of April 30, 1992, was:

Class A common stock - 10,203,000 shares; and
Class B common stock - 5,417,540 shares.

(This document contains 34 pages)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

Assets	Liberty March 31, 1992	Liberty December 31, 1991*
	amounts in thousands	
Cash and cash equivalents	$ 72,441	99,589
Trade and other receivables	22,928	18,727
Less allowance for doubtful receivables	699	750
	22,229	17,977
Due from Tele-Communications, Inc. ("TCI") (note 14)	2,550	26,055
Prepaid expenses	9,151	5,567
Investments in affiliates, accounted for under the equity method, and related receivables (note 6)	163,289	115,406
Other investments, at cost, and related receivables (note 7)	301,804	298,716
Investment in TCI common stock (note 8)	104,011	104,011
Property and equipment, at cost:		
Land	77	77
Cable distribution systems	30,710	25,581
Support equipment and buildings	17,705	17,005
	48,492	42,663
Less accumulated depreciation	16,436	15,758
	32,056	26,905
Franchise costs	29,924	9,377
Less accumulated amortization	1,137	1,078
	28,787	8,299
Sports program rights agreements, at cost, net of amortization	19,297	20,194
Affiliate agreements, at cost, net of amortization	16,409	17,315
Distribution agreements, at cost, net of amortization	1,947	2,275
Other assets, at cost, net of amortization	3,396	3,186
	$777,367	745,495

*Restated - see note 6.

(continued)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets, continued

	Liberty	
	March 31, 1992	December 31, 1991*
	amounts in thousands	
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 23,834	16,916
Film licenses payable	9,952	7,387
Subscriber advance payments	8,289	6,136
Debt (note 9)	90,495	63,634
Deferred income taxes (note 11)	58,581	56,088
Other liabilities	4,714	4,809
Total liabilities	195,865	154,970
Minority interests in equity of consolidated subsidiaries (note 10)	10,748	13,747
Preferred stocks, subject to mandatory redemption requirements and accreted dividends (note 12):		
Class A Redeemable Convertible Preferred Stock, $.01 par value	11,861	11,592
Class B Redeemable Exchangeable Preferred Stock, Series 1, $.01 par value	114,648	112,307
Class D Redeemable Voting Preferred Stock, $.01 par value	19,035	18,581
	145,544	142,480
Stockholders' equity (notes 2, 8, 13 and 15):		
Class C Redeemable Preferred Stock, $.01 par value. Authorized 400,000 shares; issued and outstanding 399,299 shares in 1991	4	4
Class E Cumulative Redeemable Exchangeable Junior Preferred Stock, $.01 par value. Authorized 2,000,000 shares; issued and outstanding 1,627,026 shares in 1991	16	16
Class A common stock, $1 par value. Authorized 100,000,000 shares; issued and outstanding 10,848,520 shares in 1991	10,755	10,848
Class B common stock, $1 par value. Authorized 10,000,000 shares; issued and outstanding 5,421,740 shares in 1991	5,422	5,422
Additional paid-in capital	424,668	431,313
Accumulated deficit	(1,911)	--
Note receivable from related party	(13,744)	(13,305)
	425,210	434,298
Commitments and contingencies (notes 6, 9 and 15)		
	$777,367	745,495

*Restated - see note 6.

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations
(unaudited)

	Liberty Three months ended March 31, 1992	Predecessor Companies Three months ended March 31, 1991
	amounts in thousands	
Revenue:		
From TCI (note 14)	$10,626	3,879
From other sources	22,107	17,529
	32,733	21,408
Operating costs and expenses:		
Operating	19,983	15,276
Selling, general and administrative	8,967	9,682
Charges by TCI (note 14)	1,301	495
Compensation relating to stock appreciation rights	3,465	--
Depreciation	678	1,246
Amortization	2,683	2,747
	37,077	29,446
Operating loss	(4,344)	(8,038)
Other income (expense):		
Interest expense to TCI (note 14)	--	(98)
Other interest expense	(1,497)	(1,685)
Dividend and interest income, primarily from affiliates	6,597	6,736
Share of earnings (losses) of affiliates, net	(2,937)	659
Minority interests in losses of consolidated subsidiaries	3,080	3,817
Other, net	85	42
	5,328	9,471
Earnings before income taxes	984	1,433
Income tax expense	(2,895)	(5)
Net earnings (loss)	(1,911)	1,428
Dividend requirement on redeemable preferred stocks	(8,988)	
Net loss attributable to common shareholders	$(10,899)	
Loss per common share	$ (.67)	

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity

(unaudited)

	Preferred stock Class C	Preferred stock Class E	Common stock Class A	Common stock Class B	Additional paid-in capital	Accumulated earnings	Note receivable from related party	Total stock-holders' equity
				amounts in thousands				
Liberty:								
Balance at January 1, 1992*	$ 4	16	10,848	5,422	431,313	--	(13,305)	434,298
Accreted dividends on all classes of redeemable preferred stocks	--	--	--	--	(8,988)	--	--	(8,988)
Accreted dividends on classes of preferred stock not subject to mandatory redemption requirements	--	--	--	--	5,923	--	--	5,923
Acquisition and retirement of common stock	--	--	(93)	--	(3,580)	--	--	(3,673)
Accrued interest on note receivable from related party	--	--	--	--	--	--	(439)	(439)
Net loss	--	--	--	--	--	(1,911)	--	(1,911)
Balance at March 31, 1992	$ 4	16	10,755	5,422	424,668	(1,911)	(13,744)	425,210

*Restated - see note 6.

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(unaudited)

	Liberty	Predecessor Companies
	Three months ended March 31, 1992	Three months ended March 31, 1991
	amounts in thousands (see note 5)	
Cash flows from operating activities:		
Net earnings (loss)	$ (1,911)	1,428
Adjustments to reconcile net earnings (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	3,361	3,993
Compensation relating to stock appreciation rights	3,465	--
Share of losses (earnings) of affiliates	2,937	(659)
Deferred income tax expense	2,493	108
Minority interests in losses	(3,080)	(3,817)
Noncash interest and dividends	(4,186)	(5,549)
Amortization of debt discount	489	455
Other noncash charges	--	12
Changes in operating assets and liabilities, net of effect of acquisitions:		
Change in receivables	(3,792)	(1,695)
Change in due from TCI other than purchase of commercial paper	1,448	(150)
Change in prepaid expenses	(3,504)	(1,487)
Change in payables and accruals	6,799	1,832
Net cash provided (used) by operating activities	4,519	(5,529)
Cash flows from investing activities:		
Cash resulting from consolidation of a certain affiliate, net of payment therefor	1,269	--
Capital expended for property and equipment	(419)	(845)
Additional investments in and loans to affiliates and others	(51,515)	(3,368)
Repayment of commercial paper from TCI	22,057	--
Return of capital from affiliates	--	725
Collection of loans to affiliates and others	1,384	1,610
Other investing activities	(569)	(1,113)
Net cash used in investing activities	(27,793)	(2,991)
Cash flows from financing activities:		
Borrowings of debt	--	27
Repayments of debt	(281)	(2,192)
Purchases and retirement of common stock	(3,674)	--
Contributions or advances from parent	--	8,018
Contributions by minority shareholders of subsidiary	81	1,893
Net cash provided (used) by financing activities	(3,874)	7,746
Net decrease in cash	(27,148)	(774)
Cash and equivalents at beginning of period	99,589	8,068
Cash and equivalents at end of period	$ 72,441	7,294

See accompanying notes to consolidated financial statements.

(1) Formation and Related Transactions

The accompanying consolidated financial statements include the accounts of Liberty Media Corporation and those of all majority-owned subsidiaries ("Liberty" or the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

During February of 1991, Liberty, a then newly-formed Delaware corporation and a then indirect wholly-owned subsidiary of TCI, distributed to certain security holders of TCI the transferable right (the "Class A Exchange Right") to exchange shares of TCI Class A common stock for shares of Liberty Class A common stock at an exchange rate of one share of Liberty Class A common stock for every 16 shares of TCI Class A common stock exchanged, and the transferable right (the "Class B Exchange Right") to exchange shares of TCI Class B common stock for shares of Liberty Class B common stock at an exchange rate of one share of Liberty Class B common stock for every 16 shares of TCI Class B common stock exchanged (the "Exchange Offers").

The Class A Exchange Rights were issued to the holders of shares of TCI Class A common stock, on the basis of one Class A Exchange Right for every 200 shares of TCI Class A common stock held of record, and to the holders of certain options and convertible debt securities (including TCI's 7¼ Convertible Subordinated Debentures, due October 1, 2012) that are exercisable for or convertible into TCI Class A common stock on the basis of one Class A Exchange Right for every 200 shares of TCI Class A common stock issuable on exercise or conversion of such securities. The Class B Exchange Rights were issued to the holders of shares of TCI Class B common stock, on the basis of one Class B Exchange Right for every 200 shares of TCI Class B common stock held of record, and to the holders of certain options to purchase TCI Class B common stock on the basis of one Class B Exchange Right for every 200 shares of TCI Class B stock issuable on exercise of the options.

On March 28, 1991, the Company issued 544,606 shares of Liberty Class A common stock and 171,107 shares of Liberty Class B common stock in the consummation of the Exchange Offers in exchange for 8,713,696 shares of TCI Class A common stock and 2,737,712 shares of TCI Class B common stock (the "Exchange").

Also, on March 28, 1991, various subsidiaries of TCI contributed their interests in certain cable television programming businesses and cable television systems to the Company (the "Contribution") and the Company issued to said subsidiaries of TCI shares of several different classes and series of the Company's preferred stock (more fully described in notes 12 and 13) with an aggregate issue price of $624,295,000; and the one share of Liberty common stock owned by TCI on the date thereof was redeemed for its par value.

In these notes to the consolidated financial statements, any reference to TCI in connection with the issuance of the Company's preferred stock includes subsidiaries of TCI.

(continued)

(2) Basis of Presentation

For financial reporting purposes, the Exchange and the Contribution (the "Transactions") are deemed to be effective on March 31, 1991. The accompanying consolidated balance sheet at March 31, 1992, the statements of operations for the three months ended March 31, 1992 and the statement of cash flows for the three months ended March 31, 1992 present the financial position of the Company after giving effect to the Transactions. The accompanying statement of operations for the three months ended March 31, 1991 and the statement of cash flows for the three months ended March 31, 1991, representing a combination of certain programming interests and cable television assets of TCI (referred to herein as the "Predecessor Companies"), are presented for comparative purposes. The Company's fiscal year ends on December 31.

The Company's accounting basis in each share of TCI common stock acquired in the Exchange is $16 (the average of the high and low sales price for shares of both classes of TCI common stock on February 6, 1991, the record date of the Exchange Offers). The Company's interests in the cable television programming businesses and cable television systems received in the Contribution are accounted for at TCI's historical cost. The excess of the aggregate issue amount of the preferred stock issued to TCI over the basis for accounting purposes in the net assets received in the Contribution is accounted for by the Company similar to a "preferential dividend" by deducting such amount from stockholders' equity.

The subsidiaries of TCI which were contributed to the Company are separately operated. As such, there were no material expenses incurred by TCI on behalf of these subsidiaries. Therefore, no allocation of expenses (other than the allocation of income taxes described in note 11) has been reflected in the financial statements of the Predecessor Companies.

(3) General

The accompanying interim financial statements are unaudited but, in the opinion of management, reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results for such periods. The results of operations for any interim period are not necessarily indicative of results for the full year.

(4) Summary of Significant Accounting Policies

Cash and Equivalents

Cash equivalents consist of investments which are readily convertible into cash and have original maturities of three months or less.

(continued)

Investments

Investments in which the ownership interest is less than 20% are generally carried at cost. For those investments in affiliates in which the Company's voting interest is 20% to 50%, the equity method of accounting is generally used. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, limited to the extent of the Company's investment in, advances to and guarantees for the investee. The Company's share of net earnings or losses of affiliates includes the amortization of purchase adjustments.

Property and Equipment

Property and equipment is stated at cost which includes acquisition costs allocated to tangible assets acquired. Construction costs, including interest during construction and applicable overhead, are capitalized. Interest capitalized was not material.

Depreciation is computed on a straight-line basis using estimated useful lives of 5 to 15 years for cable distribution systems and 3 to 40 years for support equipment and buildings.

Repairs and maintenance are charged to operations, and renewals and additions are capitalized. At the time of ordinary retirements, sales or other dispositions of property, the original cost and cost of removal of such property are charged to accumulated depreciation, and salvage, if any, is credited thereto. Gains or losses are only recognized in connection with the sale of properties in their entirety. However, recognition of gains on sales of properties to affiliates accounted for under the equity method is deferred in proportion to the Company's ownership interest in such affiliates.

Franchise Costs

Franchise costs include the difference between the cost of acquiring cable television systems and amounts assigned to their tangible assets. Such amounts are generally amortized on a straight-line basis over 40 years. Costs incurred by Liberty in obtaining franchises are being amortized on a straight-line basis over the life of the franchise, generally 10 to 20 years.

Other Intangible Assets

Other intangible assets consist of amounts (in excess of the tangible assets) assigned to sports program rights agreements, affiliate agreements and distribution agreements. These amounts are amortized over the respective lives of the agreements ranging from 1 to 10 years.

(continued)

Loss Per Common Share

Loss per common share for the three months ended March 31, 1992 was computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding (16,215,760 for the three months ended March 31, 1992). Common stock equivalents were not included in the computation of weighted average shares outstanding because their inclusion would be anti-dilutive.

(5) Supplemental Disclosures to Consolidated Statements of Cash Flows

Cash paid for interest was $1,226,000 and $1,493,000 for the three months ended March 31, 1992 and 1991, respectively. Cash paid for income taxes was $1,080,000 for the three months ended March 31, 1992.

Significant noncash investing and financing activities:

	Liberty Three months ended March 31, 1992	Predecessor Companies Three months ended March 31, 1991
	amounts in thousands	
Cash resulting from consolidation of a certain affiliate, net of payment therefor:		
Fair value of assets acquired	$(26,186)	--
Net liabilities assumed	27,485	--
Payment for additional interest	(30)	--
Cash acquired	$ 1,269	--
Accrued preferred stock dividends	$ 8,988	--
Transfers of assets (other than those in the Contribution), net of liabilities, from TCI	$ --	3,763

(continued)

(6) Investments in Affiliates

Liberty has several investments in affiliates accounted for under the equity method. Summarized unaudited results of operations for such affiliates are as follows:

	Liberty Three months ended March 31, 1992	Predecessor Companies Three months ended March 31, 1991
	amounts in thousands	
Revenue	$ 383,053	331,888
Operating expenses	(297,998)	(269,379)
Depreciation and amortization	(36,748)	(24,435)
Operating income	48,307	38,074
Interest expense	(30,416)	(25,259)
Other, net	(12,012)	(1,665)
Net earnings	$ 5,879	11,150

The following table reflects the carrying value of the Company's investments accounted for under the equity method, including related receivables, as of March 31, 1992 (amounts in thousands):

QVC Network, Inc. ("QVC")	$ 46,468
Kansas City Cable Partners ("KCCP")	29,255
US Cable of Lake County ("Lake County")	25,522
Lenfest Communications, Inc. ("LCI")	16,389
The Cable Partnerships of Country Cable and Knight-Ridder Cablevision, Inc. (SCI Cable Partners and TKR Cable Company) (collectively referred to as ("TKR")	12,743
Sunshine Network Joint Venture ("Sunshine")	11,990
American Movie Classics Company ("AMC")	10,286
Sioux Falls Cable Television ("Sioux Falls")	(14,517)
SportsChannel Chicago Associates ("Sports")	13,889
Home Team Sports Limited Partnership ("HTS")	10,085
Other investments	1,179
	$163,289

(continued)

The following table reflects the Company's share of earnings or losses of each of the aforementioned affiliates:

	Liberty	Predecessor Companies
	Three months ended March 31, 1992	Three months ended March 31, 1991
	amounts in thousands	
QVC	$ 1,177	(1,260)
KCCP	1,998	1,498
Lake County	(487)	--
Lanfest	(7,611)	--
TKR	1,315	38
Sunshine	(276)	(433)
AMC	1,761	1,948
Sioux Falls	478	598
Sports	(512)	--
MTS	(125)	(162)
Other	(655)	(1,568)
	$(2,937)	659

The common stock of QVC is publicly traded. At March 31, 1992, based on the trading price of QVC common stock, the Company's investment in QVC had a market value of $206,549,000 (which exceeded its cost by $160,081,000).

Affiliated Regional Communications, Ltd. ("ARC"), a majority-owned subsidiary of the Company, owns a 49% interest in Sunshine Network Joint Venture ("Sunshine"). Sunshine provides television sports programming service in Florida. The Sunshine Joint Venture Agreement provides for an annual guaranteed distribution to ARC equal to 7.35% of Sunshine's gross revenue, excluding barter transaction revenue. Sunshine has not paid the distribution to ARC as it is subordinated to secured and unsecured creditors and advances made by ARC and is, therefore, payable only from "sufficient distributable funds". Any unpaid guaranteed distributions bear interest at 10% per annum. The guaranteed distribution will be recorded at such time as it is determined that distributable funds are available. Total unpaid guaranteed distributions, including interest, were $3,139,000 at December 31, 1991.

On January 2, 1992, Liberty acquired an aggregate 48.9% limited partnership interest in Lake County for $25,509,000 in cash. Liberty had previously contributed $250,000 to Lake County in exchange for a 1.1% limited partnership interest in Lake County. Upon consummation of the acquisition, the existing partnership agreement was restated to reflect the admission of Liberty as a 10% general partner (representing 50% of the general partnership interests) and a 40% limited partner (representing 50% of the limited partnership interests). The purchase price is subject to adjustment upon the occurrence of certain events.

(continued)

During the first quarter of 1992, the Company increased its interest in LCI from 48% of the common equity with 4% of the voting rights of all common shareholders to 50% of the common equity with 50% of all voting rights. The purchase price of $24,000,000 was approved by the Company's Board of Directors (with Mr. Lenfest abstaining). Upon consummation of this agreement, Liberty adopted the equity method of accounting for its investment in LCI. The Company's investment in LCI, which was previously accounted for under the cost method, was received from TCI in the March 28, 1991 transaction (see note 1). Accordingly, Liberty's (and the Predecessor Companies') investment, results of operations and stockholders' equity were adjusted retroactively to reflect the equity method of accounting. Upon restatement, Liberty's investment in LCI was reduced to zero prior to March 28, 1991. However, due to the additional $24,000,000 investment in LCI during the first quarter of 1992, the Company's share of losses of LCI for such quarterly period, which amounted to $7,611,000, included an adjustment to reflect the Company's share of previously unrecognized losses of LCI aggregating $6,259,000. These losses were not recognized in prior periods to the extent Liberty's investment in LCI had been reduced to zero.

Certain of the Company's affiliates are general partnerships and any subsidiary of the Company that is a general partner in a general partnership is, as such, liable as a matter of partnership law for all debts of that partnership in the event liabilities of that partnership were to exceed its assets.

(7) Investments in Other Companies

Other investments, accounted for under the cost method, and related receivables are summarized as follows:

	Liberty	
	March 31, 1992	December 31, 1991
	amounts in thousands	
Preferred stock investment (a)	$106,704	102,957
Limited partnership interest and related receivables (b)	96,782	96,782
Marketable equity securities (c)	5,813	5,813
Convertible debt, accrued interest and preferred stock investment	45,820	46,229
Other investments and related receivables	46,685	46,935
	$301,804	298,716

(a) The Company holds an investment in the 16% cumulative redeemable exchangeable preferred stock of Storer Communications, Inc. ("Storer"). The common stock of Storer is 50% owned by a subsidiary of TCI in which TKR a 30% interest. Storer's preferred stock has no voting rights and is subject to a mandatory annual redemption of 20% of all shares of such preferred stock commencing on December 15, 1996.

(continued)

(b) The Company's limited partnership interest in Intermedia Partners ("Intermedia") is accounted for under the cost method although Liberty's ownership approximates 22%. The cost method of accounting is considered appropriate because the limited partners (including Liberty) of Intermedia have no voting control over Intermedia's operating and financial policies. Such control rests entirely with the general partner (an unrelated third party).

(c) The marketable equity securities, which are being accounted for at the lower of cost or market, had an aggregate market value of $57,806,000 (which exceeded cost by $51,993,000) at March 31, 1992.

(8) Investment in TCI Common Stock

The Company received 8,713,696 shares of TCI Class A common stock and 2,737,712 shares of TCI Class B common stock in the Exchange. In April of 1991, the Company redeemed all of its Class B-Series 2 Redeemable Exchangeable Preferred Stock in exchange for 5,725,687 shares of TCI Class A common stock. In October of 1991, the Company received an additional 800,000 shares of TCI Class B common stock (see note 13). At March 31, 1992, the market value of the Company's investment in TCI stock exceeded its cost by $3,289,000.

As described in note 12, the TCI common stock acquired by the Company in connection with the Exchange is held in escrow for delivery upon exchange of the Class B Redeemable Exchangeable Preferred Stock. Pending such exchange and provided that the Company is not in default of its obligations to redeem, exchange or purchase shares of the Class B Redeemable Exchangeable Preferred Stock, the Company shall have the right to vote the TCI common stock held in escrow on all matters submitted for a vote to the holders of TCI common stock. The determination of the manner in which the Company will exercise such voting rights will be made by the Company's Board of Directors.

(9) Debt

Debt is summarized as follows:

	Liberty	
	March 31, 1992	December 31, 1991
	amounts in thousands	
Note payable to bank (a)	$10,000	10,000
Note payable to bank (b)	8,058	8,262
Note payable to bank (c)	6,575	6,650
Note payable to bank (d)	26,653	--
Liability to seller, net of unamortized discount of $5,164,000 and $5,653,000, respectively (3)	19,606	19,117
Unsecured note payable (f)	2,725	2,725
Convertible notes payable (g)	10,101	10,101
Note payable to TCI (h)	4,322	4,322
Other debt, with varying rates and maturities	2,455	2,457
	$90,495	63,634

(continued)

(a) The loan agreement related to this note payable provides for a revolving line of credit of up to $20,000,000 through December 31, 1992, at which time the outstanding principal balance converts to a term loan. The term loan is payable in eight equal quarterly installments commencing on March 31, 1993 with the final installment due December 31, 1994. The terms and conditions of the agreement contain several covenants, including those whereby ARC agrees to the maintenance of certain operating cash flow amounts, debt coverage, minimum subscribers, and limitations on capital expenditures. Such loan agreement provides for interest at varying rates which approximate the prime rate (6-1/2% at March 31, 1992). Substantially all of the assets of ARC are pledged as collateral under this loan agreement.

(b) The revolving credit agreement related to this note payable follows a commitment reduction schedule which contains mandatory commitment reduction payments through December 31, 1995. The agreement contains certain restrictions requiring Greater Media Cablevision of Western Oakland County Limited Partnership ("Greater Media") to maintain specific levels of working capital and cash flow as defined in the agreement. In addition, certain restrictions have been imposed limiting the incurrence of debt, loan obligations and the payment of management fees and distributions. Such agreement provides for interest at varying rates which approximate the prime rate (6-1/2% at March 31, 1992). All of the cable television assets of Greater Media are pledged as collateral under this agreement.

(c) This loan is payable in quarterly installments as defined in the related loan agreement, with a final payment on September 30, 1994. Such loan agreement provides for interest at varying rates which approximate the prime rate (6-1/2% at March 31, 1992). All of the cable television assets of Command Cable of Eastern Illinois Limited Partnership ("Command") are pledged as collateral under this loan agreement.

(d) This term loan has quarterly principal payments in increasing amounts through December 31, 1996. In addition to the scheduled quarterly payments, an annual payment is required based upon the prior year's excess cash flow, as defined. The loan agreement also requires a $1,000,000 payment to be made during 1992. The outstanding balance of the loan accrues interest at varying rates which approximate the prime rate (6-1/2% at March 31, 1992). The terms of the agreement include, in addition to other requirements, the maintenance of certain financial ratios and limit capital expenditures and lease payments.

The loan is secured and collateralized by the assets of US Cable of Paterson ("Paterson"), the franchise rights, and the assignment of various leases and contracts of Paterson.

(continued)

Paterson entered into an interest rate swap agreement to reduce the impact of changes in interest rates on its floating rate bank loan payable. This agreement effectively fixes a portion of Paterson's interest rate on $6 million of its floating rate debt to a fixed 8.25% plus the adjustment based on the results of a certain financial ratio, as discussed above. The agreement expires on April 18, 1995.

Paterson is exposed to credit loss in the event of nonperformance by the other parties to these agreements. However, Paterson does not anticipate any such nonperformance.

(e) The liability represents the discounted amount estimated under the "Earnout Rights" agreement between ARC and a related party of Astros Programming Services, Inc. The agreement requires annual payments during a five-year period equal to 86% of the Earnings Before Depreciation, Interest and Income Taxes ("EBDIT"), as defined, of the "DBS Business", as defined, of ARC over the base EBDIT. The minimum amount required under the agreement is $20,000,000 with a maximum payment of $60,000,000 required if the above calculation yields a greater amount due. The discount is deferred and amortized over the life of the agreement using the effective interest method. Amortization of the discount amounted to $489,000 and $455,000 for the three months ended March 31, 1992 and 1991, respectively.

(f) This note payable, which bears interest at the prime rate, is payable by Command in twenty equal quarterly installments through June 30, 1994.

(g) These notes payable are due December 30, 2000 and bear interest at 10% per annum. The notes are convertible, at the option of the holders, into a 9.1% limited partnership interest in ARC.

(h) This note bears interest at the prime rate and is payable by LHC Chicago Sports, Inc. on December 31, 1996.

Certain of Liberty's subsidiaries are subject to loan agreements that prohibit or limit the transfer of funds of such subsidiaries to the parent company in the form of loans, advances or cash dividends. However, retained earnings of the subsidiaries subject to restrictions is not material.

(10) Promissory Note

ARC has a $12,000,000 note receivable from Dansports, L.P. due in five equal installments on June 1 of each year. The note earns interest at the prime rate. The note, net of payments received, is reflected as a reduction of minority interest in the accompanying consolidated financial statements as it represents a subscription note receivable. The outstanding balance of this note amounted to $7,200,000 at March 31, 1992 and December 31, 1991.

(continued)

(11) Income Taxes

The Predecessor Companies were included in the consolidated Federal income tax return of TCI. Income tax expense for the Predecessor Companies was based on those items in the consolidated calculation applicable to the Predecessor Companies. Intercompany tax allocation represents an apportionment of tax expense or benefit (other than deferred taxes) among subsidiaries of TCI in relation to their respective amounts of taxable earnings or losses. The receivable or payable arising from the intercompany tax allocation was recorded as an increase or decrease in amounts due from TCI. Upon consummation of the Transactions, TCI repaid such amounts.

TCI and Liberty entered into a tax sharing agreement. TCI agreed to reimburse Liberty for the benefit from investment tax credits and net operating losses generated by Liberty which were utilized in the consolidated Federal income tax return of TCI. Upon the consummation of the Transactions, Liberty was no longer included in the consolidated Federal income tax return of TCI. At that time, all investment tax credits and net operating losses generated by Liberty but not previously utilized by TCI in TCI's consolidated Federal income tax return became available for use by Liberty in its own consolidated Federal income tax return.

Certain of the Federal income tax returns of TCI are presently under examination by the Internal Revenue Service ("IRS") for the years 1978 through 1991. This examination, or any subsequent examinations for periods up to March 28, 1991, may result in proposed adjustments for additional income taxes relating to Liberty. If and when future settlements with the IRS become final and nonappealable and if adjustments relating to Liberty are required to any consolidated return year as previously filed, Liberty and TCI have agreed to give effect to such adjustments as if they had been made a part of the original calculation of tax liabilities and benefits. Any amount remaining due or previously overpaid shall be paid or refunded as the case may be.

Deferred tax expense results from timing differences in the recognition of revenue and expense for income tax and financial statement purposes and from adjustment of deferred tax credits.

The benefits from investment tax credits are recorded by Liberty when such credits are used to reduce current or deferred income taxes payable. Liberty has available investment tax credits which, if not utilized to offset future Federal income taxes payable, expire at various dates through 2005. Additionally, certain subsidiaries have investment tax credit carryforwards and these investment tax credit carryforwards are subject to certain rules limiting their usage. Substantially, all investment tax credits have been recognized for financial statement purposes as a reduction of deferred income taxes. To the extent the investment tax credit carryforward is utilized for income tax purposes by Liberty, deferred tax credits will be restored at the then current rates.

(continued)

Liberty has net operating loss carryforwards for income tax purposes which, if not utilized to reduce taxable income in future periods, expire at various dates through 2005. Substantially, all net operating losses have been recognized for financial statement purposes as a reduction of deferred income taxes. To the extent the net operating loss carryforward is utilized for income tax purposes by Liberty, deferred tax credits will be restored at the then current rates.

The Financial Accounting Standards Board has issued Statement No. 109, "Accounting for Income Taxes" which will supersede Statement No. 96, "Accounting for Income Taxes". The Company currently accounts for income taxes under Accounting Principles Board Opinion No. 11, having elected not to adopt Statement No. 96 prior to its required effective date. Statement No. 109 will change the Company's method of accounting for income taxes from the deferred method required under APB No. 11 to the asset and liability method. The Company presently does not know and cannot reasonably estimate the impact of Statement No. 109 on its financial statements. Statement No. 109 is effective for fiscal years beginning after December 15, 1992. The Company has not made a determination whether it will restate any prior years or adopt Statement No. 109 in 1993 on a prospective basis.

(12) Redeemable Preferred Stocks

Class A Redeemable Convertible Preferred Stock

The Company is authorized to issue up to 11,000 shares of Class A Convertible Preferred Stock (the "Class A Preferred Stock"). The aggregate number of shares of such Class A Convertible Preferred Stock that was issued to TCI pursuant to the Contribution was 10,794 shares. The accretion rate for the Class A Preferred Stock is 9.5% per annum, compounded semi-annually.

The Class A Preferred Stock is redeemable at the option of the Company at any time and from time to time on and after March 28, 1996, in whole or in part, at a redemption price, payable solely in cash, equal to the accreted value per share of such class as of the redemption date. The Class A Preferred Stock is subject to a mandatory redemption requirement on March 28, 2006.

At the option of the holder, the 10,794 shares of Class A Preferred Stock, unless previously redeemed, are convertible into 550,709 shares of Liberty Class A common stock and 55,070 shares of Liberty Class E Redeemable Exchangeable Preferred Stock. The conversion rights of the shares of Class A Preferred Stock will expire at the close of business on the business day immediately preceding March 28, 2006 or, in the case of shares of Class A Preferred Stock called for redemption, at the close of business on the date specified for such redemption, unless in either case the Company defaults in the payment of the redemption price.

No adjustment in respect of accreted dividends on the Class A Preferred Stock or any dividend on the Class A common stock issued upon conversion thereof will be made upon the conversion of shares of Class A Preferred Stock, except the conversion rate of the shares of Class A Preferred Stock, or the securities or other property to be received on conversion, is subject to adjustment upon the occurrence of certain events.

(continued)

Class B Redeemable Exchangeable Preferred Stock

The Company is authorized to issue up to 106,000 shares of Class B Redeemable Exchangeable Preferred Stock (the "Class B Preferred Stock"). The aggregate number of shares of such Class B Preferred Stock that was issued to TCI pursuant to the Contribution as Series 1 Redeemable Exchangeable Preferred Stock was 105,353 shares. The accretion rate for the Series 1 Exchangeable Preferred Stock is 8.5% per annum, compounded semi-annually.

The aggregate number of shares of Class B Preferred Stock that was issued to TCI pursuant to the Contribution as Series 2 Redeemable Exchangeable Preferred Stock was 91,611 shares. In April of 1991, the Company redeemed all such preferred stock in exchange for 5,725,687 shares of TCI Class A common stock.

At the option of the Company, at any time after March 28, 1993, the shares of the Class B Preferred Stock will be redeemable, in whole or in part, at a redemption price equal to the accreted value per share as of the redemption date, payable solely in cash, and at the option of the Company will also be exchangeable, in whole but not in part, for shares of a series of Class F Serial Preferred Stock or of any other class or series of preferred stock of the Company then authorized to be issued (the "Convertible Exchangeable Preferred Stock"), the rights, preferences and qualifications of which shall be substantially similar to those of the Class B Preferred Stock as to ranking, voting rights, rights of redemption for cash at the option of the Company and mandatory redemption on March 28, 2006. If the Company elects to issue shares of Convertible Exchangeable Preferred Stock in exchange for Class B Preferred Stock, such shares will be convertible, in whole or in part, at the option of the holder into shares of Liberty Class A common stock, but will not be exchangeable at such holder's option for TCI common stock. The holder will have optional redemption rights equivalent to those for the Class B Preferred Stock, as described below, but the Company will not have the right to satisfy its redemption obligations with respect thereto through the issuance of additional shares of Convertible Exchangeable Preferred Stock. The shares of Convertible Exchangeable Preferred Stock may accrete dividends at a rate different from the accretion rate then applicable to the shares of Class B Preferred Stock for which they are exchanged or may provide for the accrual and payment of cash dividends (which may or may not be cumulative). At the option of the Company, at any time after March 28, 1995, the shares of Convertible Exchangeable Preferred Stock will be exchangeable, in whole but not in part, for subordinated notes of the Company that will be convertible, in whole or in part, at the option of the holder into shares of Liberty Class A common stock (the "Convertible Subordinated Notes"). If the shares of Convertible Exchangeable Preferred Stock that are being exchanged for Convertible Subordinated Notes accrete dividends, then the Convertible Subordinated Notes will be zero coupon notes, the issue price of which shall be equal to the liquidation price of the shares of Convertible Exchangeable Preferred Stock for which they are exchanged as of the date of such exchange, and the principal amount of which shall be equal to the liquidation price of such shares of Convertible Exchangeable Preferred Stock at March 28, 2006. If the shares of Convertible Exchangeable Preferred Stock that are being exchanged for Convertible Subordinated Notes provide for the accrual and payment of cash dividends,

(continued)

the principal amount of such Convertible Subordinated Notes shall be equal to the liquidation price of the shares of Convertible Exchangeable Preferred Stock for which they are exchanged as of the date of such exchange, plus (to the extent not already included in such liquidation price) all accumulated or accrued and unpaid dividends, if any, to the date of such exchange, and interest will accrue, and be payable semiannually, on such principal amount at a rate per annum equivalent to the annual dividend rate for such shares of Convertible Exchangeable Preferred Stock. The terms of the Convertible Subordinated Notes shall otherwise be substantially similar to those of the shares of Convertible Exchangeable Preferred Stock for which they are exchanged, except for such variations as may be appropriate to reflect the differences between debt securities and equity securities and except that such Convertible Subordinated Notes will not be exchangeable for another issue of Convertible Subordinated Notes.

In addition, at any time after March 28, 1995, the shares of Class B Preferred Stock shall each be exchangeable, at the Company's option, in whole but not in part, for zero coupon subordinated notes of the Company (the "Exchangeable Subordinated Notes"). The principal amount of such Exchangeable Subordinated Notes shall be equal to the accreted value of the shares for which they are exchanged as of March 28, 2006 (rounded down to the nearest $1,000) and the issue price of such Exchangeable Subordinated Notes (plus the amount of any cash adjustment payable in lieu of issuing Notes in other than authorized denominations) shall be equal to the accreted value of such shares as of the date of exchange. The terms of the Exchangeable Subordinated Notes shall otherwise be substantially similar to those of the Class B Preferred Stock for which they are exchanged, except for such variations as may be appropriate to reflect the differences between debt securities and equity securities and except that such Exchangeable Subordinated Notes will be exchangeable at the option of the Company at any time after issuance thereof for Convertible Subordinated Notes of the Company, but will not be exchangeable or redeemable for shares of Convertible Exchangeable Preferred Stock or for another issue of Exchangeable Subordinated Notes. The rate at which the Exchangeable Subordinated Notes may be exchanged for shares of TCI common stock at the option of the holder shall be calculated so that the aggregate principal amount of the Exchangeable Subordinated Notes issued in exchange for shares of the Class B Preferred Stock will be exchangeable into the same aggregate number of shares of TCI common stock as the shares of Class B Preferred Stock for which they were exchanged.

The shares of Class B Preferred Stock are also exchangeable or redeemable at the option of the holder as described below.

The shares of Class B Preferred Stock, unless previously redeemed, will be exchangeable at the option of the holder at any time in whole or in part for shares of TCI common stock. The Company will have the option of delivering shares of TCI Class A common stock or TCI Class B common stock or any combination thereof upon such exchange. The exchange rate for the Class B Preferred Stock is 54.34 shares of TCI common stock for each share of Class B Preferred Stock, subject to adjustment under certain conditions.

(continued)

The exchange rights of the shares of Class B Preferred Stock will expire at the close of business on the business day immediately preceding March 28, 2006 or, in the case of shares of Class B Preferred Stock called for redemption or exchange, at the close of business on the date specified for such redemption or exchange, unless in either case the Company defaults in the payment of the redemption price or the making of the exchange.

The Company deposited with an escrow agent all shares of TCI common stock acquired by the Company in connection with the Exchange. The TCI common stock is held by the escrow agent for delivery to holders of Class B Preferred Stock upon exchange. Upon surrender of shares of Class B Preferred Stock for exchange, the holder thereof shall be entitled to receive the shares of TCI common stock at the then applicable exchange rate. Any shares of TCI common stock remaining in escrow after March 28, 2006 will be returned to and become the sole property of the Company.

The holders of shares of Class B Preferred Stock may, by delivery of a written notice of demand (a "Demand Notice"), require the Company to redeem all shares of Class B Preferred Stock covered by such Demand Notice on March 28, 1996 and March 28, 2001 (each such date a "Special Redemption Date"), at a redemption price (the "Special Redemption Price") equal to the accreted value of such shares as of such Special Redemption Date.

The Special Redemption Price will be payable by the Company, at its option, in cash, Liberty Class A common stock, Convertible Exchangeable Preferred Stock, TCI common stock, the Company's convertible subordinated extension notes due on March 28, 2006, which are convertible into Liberty Class A common stock (the "Convertible Extension Notes"), the Company's subordinated extension notes due on March 28, 2006 (the "Non-Convertible Extension Notes", and together with the Convertible Extension Notes, the "Extension Notes") or any combination thereof; provided, however, that if any Convertible Extension Notes are issued as such payment, Convertible Extension Notes shall constitute no less than 25% of the Special Redemption Price and if Non-Convertible Extension Notes are issued as such payment, Non-Convertible Extension Notes shall constitute no less than 25% of the Special Redemption Price.

Unless all outstanding shares of Class B Preferred Stock to be redeemed or exchanged are at the time held by TCI, the Company's right to redeem shares of Class B Preferred Stock through the delivery of Extension Notes or shares of Liberty Class A common stock, Convertible Exchangeable Preferred Stock or TCI common stock is subject to the Company satisfying various conditions.

Class D Redeemable Voting Preferred Stock

The Company is authorized to issue up to 18,000 shares of Class D Redeemable Voting Preferred Stock (the "Class D Preferred Stock"). The aggregate number of shares of such Class D Preferred Stock that was issued to TCI pursuant to the Contribution was 17,238 shares. The accretion rate for the Class D Preferred Stock is 10% per annum, compounded semi-annually.

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The Class D Preferred Stock is redeemable at the option of the Company at any time and from time to time on and after March 28, 1996, in whole or in part, for a redemption price, payable solely in cash, equal to the accreted value per share of such class as of the redemption date. The Class D Preferred Stock is subject to a mandatory redemption requirement on March 28, 2006.

For so long as all of the outstanding shares of Class D Preferred Stock are owned by TCI, the holders of the Class D Preferred Stock, voting together as a separate class, shall have the exclusive right to elect a number of directors equal to not less than 20% (rounded upward to the nearest whole number) of the total number of members of the Company's Board of Directors (which shall include the right to fill any vacancy created by the death or resignation of any director elected by the holders of Class D Preferred Stock or by the removal by such holders of any director elected by them, and to elect such number of additional directors to fill any newly created directorships as is necessary to maintain such level of representation). In the event that TCI ceases to own in the aggregate 100% of the outstanding shares of Class D Preferred Stock, the foregoing special voting rights of such class shall terminate.

(13) Stockholders' Equity

Plan of Recapitalization

On March 12, 1992, the shareholders of the Company voted to adopt a plan of recapitalization by approving amendments to the Company's Certificate of Incorporation to:

(i) increase the total number of shares of preferred stock ("Preferred Stock") that the Company is authorized to issue from 6,410,000 shares to 7,535,000 shares;

(ii) create a new class of Preferred Stock consisting of 2,000,000 shares to be designated as "Class E, 6% Cumulative Redeemable Exchangeable Junior Preferred Stock" with a par value of $.01 per share ("New Preferred Stock");

(iii) reclassify each currently issued and outstanding share of Liberty Class A common stock into 20 shares of Liberty Class A common stock and two shares of New Preferred Stock;

(iv) reclassify each currently issued and outstanding share of Liberty Class B common stock into 20 shares of Liberty Class B common stock and two shares of New Preferred Stock;

(v) redesignate the Company's existing Class E Serial Preferred Stock as "Class F Serial Preferred Stock" and reduce the total number of shares of each of the other existing classes of Preferred Stock that the Company is authorized to issued to the number currently issued and outstanding (rounded upward to the nearest 1,000 shares);

(continued)

(vi) change certain of the terms of the Company's existing Class C Redeemable Exchangeable Preferred Stock, principally to eliminate the requirement that the shares of such class be redeemed in full for cash on March 28, 2006 and to provide that from and after March 28, 2006 dividends will accrue and be payable in cash on the shares of such class; and

(vii) change certain other miscellaneous provisions.

The effect of the recapitalization has been reflected retroactively to December 31, 1991. In these notes to the consolidated financial statements, all share amounts (including the number of authorized shares of each class of the Company's Preferred Stock) reflected as of December 31, 1991 have been adjusted to give effect to this recapitalization.

Class C Redeemable Exchangeable Preferred Stock

The Company is authorized to issue up to 400,000 shares of Class C Redeemable Exchangeable Preferred Stock (the "Class C Preferred Stock"). The aggregate number of shares of such Class C Preferred Stock that was issued to TCI pursuant to the Contribution was 399,299 shares. The accretion rate for the Class C Preferred Stock is 5.0% per annum, compounded semi-annually through March 28, 2006. After that date, dividends will be payable semi-annually, in cash, at that rate established by the Board of Directors which, in the opinion of an independent nationally recognized investment banking firm, would result in the fair market value of the shares being at least equal to their accreted value of March 28, 2006.

The Class C Preferred Stock is redeemable at the option of the Company at any time and from time to time on and after March 28, 1993, in whole or in part, for a redemption price, payable solely in cash, equal to the accreted value per share of such class as of the redemption date. The Class C Preferred Stock is not subject to a mandatory redemption requirement.

In addition, at any time after March 28, 1995 and prior to March 28, 2006, the shares of Class C Preferred Stock shall be exchangeable, at the Company's option, in whole but not in part, for zero coupon subordinated notes of the Company (the "Subordinated Notes"). The principal amount of the Subordinated Notes shall be equal to the accreted value of the shares of Class C Preferred Stock for which they are exchanged as of March 28, 2006 (rounded down to the nearest $1,000) and the issue price of such Subordinated Notes (plus the amount of any cash adjustment payable in lieu of issuing Notes in other than authorized denominations) shall be equal to the accreted value of such shares as of the date of exchange. The terms of the Subordinated Notes shall otherwise be substantially similar to those of the Class C Preferred Stock, except for such variations as may be appropriate to reflect the differences between debt securities and equity securities.

(continued)

Class E, 6¼ Cumulative Redeemable Exchangeable Junior Preferred Stock

The Company is authorized to issue 2,000,000 shares of Class E, 6¼ Cumulative Redeemable Exchangeable Junior Preferred Stock (the "Class E Preferred Stock"). The aggregate number of shares of such Class E Preferred Stock issued upon consummation of the recapitalization plan approved by the shareholders on March 12, 1992 was 1,620,026. When issued, the shares had a liquidation value of $100 per share. Dividends accrue on the Class E Preferred Stock at the rate of 6¼ per annum and are payable on March 1 of each year in cash or, at the option of the Company, in whole or in part, in shares of its Class A Common Stock. No interest or additional dividends will accrue or be payable on accumulated accrued and unpaid dividends.

The Class E Preferred Stock is redeemable at the option of the Company at any time or from time to time, in whole or in part, for a redemption price payable solely in cash equal to the liquidation value of each share (including any accrued and unpaid dividends). There is no mandatory redemption requirement.

In addition, the shares of Class E Preferred Stock may, at any time, at the option of the Company, be exchanged in whole for junior subordinated notes of the Company (the "Junior Exchange Notes"). The principal amount of the Junior Exchange Notes shall be equal to the liquidation value of each share (including accrued and unpaid dividends) on the exchange date.

The Junior Exchange Notes will bear interest, payable annually, at a rate equal to the prevailing Fifteen Year Treasury Rate (as defined), plus 2.15% and will have a maturity date 15 years from the date of issuance.

Class F Serial Preferred Stock

The Company is authorized to issue shares of Class F Serial Preferred Stock (the "Class F Preferred Stock") in one or more series and to fix and state the designations, powers, preferences, qualifications, limitations, restrictions and relative rights of the shares of each such series. At any time that shares of any class or series of the above-described preferred stock (other than the Class F Preferred Stock) are issued and outstanding, the number of shares of Class F Preferred Stock of any series that may be issued shall not exceed the difference between five million (the number of shares of Class F Preferred Stock currently authorized) and the sum of (i) the number of shares of all classes and series of the above-described preferred stock (other than the Class F Preferred Stock) issued and outstanding and (ii) the number of shares of all series of Class F Preferred Stock issued and outstanding, in each case at the time the resolution of the Board of Directors authorizing the issuance of shares of such series of Class F Preferred Stock is adopted.

Common Stock

The Class A common stock has one vote per share and the Class B common stock has ten votes per share. Each share of Class B common stock is convertible, at the option of the holder, into one share of Class A common stock.

(continued)

Pursuant to a recapitalization plan approved by the shareholders on March 12, 1992, Liberty's Restated Certificate of Incorporation was amended to provide for an exchange of each outstanding share of Liberty's common stock for 20 shares of common stock and two shares of Class E Preferred Stock.

Stock Option

The Company has an employment agreement with an officer (who is also a director). Pursuant to this agreement, such officer was granted an option to acquire 100,000 shares of Liberty Class B common stock at a purchase price of $256 per share. During 1991, the employment agreement was amended and the option was exercised with $100,000 in cash and a $25,500,000 note. This note bears interest at 7.54% per annum and is due in five equal annual installments. In order to tender $100,000 in cash, said officer sold to the Company shares of common stock of one of the Company's affiliates. During October of 1991, such officer tendered to the Company in partial payment of such note 800,000 shares of TCI Class B common stock, resulting in a net reduction of $12,195,000 in the outstanding principal balance of the note.

The 100,000 shares issued by Liberty upon exercise of this option, together with all subsequent dividends and distributions thereon, including shares issued in the Recapitalization (collectively, with the 100,000 shares, the "Option Units"), are subject to repurchase by the Company under certain circumstances. The Company's repurchase right will terminate as to 20% of the Option Units per year, commencing March 28, 1992, and will terminate as to all of the Option Units in the event of death, disability or under certain other circumstances.

Stock Plan

The Company has a Stock Incentive Plan (the "Stock Plan") in order to provide a special incentive to officers and other persons. No awards have been made under the Plan. Under the Stock Plan, stock options, stock appreciation rights, restricted stock and other awards valued by reference to, or that are otherwise based on, the value of Class A common stock may be granted in respect to a maximum of 5,000,000 shares of Class A common stock. Shares to be delivered under the Stock Plan will be available from authorized but unissued shares of Class A common stock or from shares of Class A common stock reacquired by the Company. Shares of Class A common stock that are subject to options or other awards that terminate or expire unexercised will return to the pool of such shares available for grant under the Stock Plan.

Stock Appreciation Rights

The Company has granted to certain of its officers stock appreciation rights with respect to 280,000 shares of Liberty Class A common stock. These rights have an adjusted strike price of $6.40 per share, become exercisable and vest evenly over seven years. Stock appreciation rights expire on March 28, 2001. Estimates of compensation relating to these stock appreciation rights have been recorded through March 31, 1992, but are subject to future adjustment based upon market value and, ultimately, on the final determination of market value when the rights are exercised.

(continued)

(14) Transactions with TCI

On December 30, 1991, TCI Liberty, Inc. ("TCIL"), a wholly owned subsidiary of TCI, entered into a Commercial Paper Purchase Agreement with Liberty whereby Liberty may purchase short-term notes from TCIL of up to an aggregate amount of $100 million. TCIL borrowed $22,000,000 from Liberty on December 31, 1991, pursuant to the Commercial Paper Purchase Agreement. The full amount, including interest, was repaid on January 15, 1992. Interest rates on the short-term notes are determined by the parties by reference to prevailing money-market rates.

In late 1991, the Company began discussing with TCI the possibility of creating a partnership for the purpose of acquiring and operating cable television systems. In January of 1992, subsidiaries of the Company and TCI created such a partnership, owned 50.001% by the Company and 49.999% by TCI. The partners each agreed to contribute certain non-cash assets to the partnership and up to $25,000,000 of cash as needed to fund mutually acceptable acquisitions. The non-cash assets were contributed to the partnership subsequent to March 31, 1992. The non-cash assets contributed by Liberty included its limited partnership interests in Intermedia Partners, certain promissory notes of Intermedia Partners and its affiliates, its limited partnership interest in and loan receivable from the entity that is a general partner in Mile Hi Cablevision Associates, Ltd., its limited and general partnership interests in Greater Media Cablevision of Western Oakland County Limited Partnership and 1.2 million shares of the preferred stock of Storer Communications, Inc. TCI contributed all of the 399,299 shares it held of the Company's Class C Preferred Stock.

For periods prior to consummation of the Transactions, amounts due to TCI were included in combined equity of the Predecessor Companies due to their related party nature. Interest expense was charged thereon and amounted to $98,000 for the three months ended March 31, 1991.

Certain subsidiaries of Liberty produce and/or distribute sports and other programming to cable television operators (including TCI) and others. Charges to TCI are based upon customary rates.

Certain subsidiaries of Liberty purchase, at TCI's cost, certain pay television and other programming through a subsidiary of TCI. Charges for such programming were approximately $435,000 and $495,000 for the three months ended March 31, 1992 and 1991, respectively.

TCI and Liberty have entered into a services agreement pursuant to which TCI provides, among other things, accounting, financial reporting, tax and other administrative services. Charges by TCI in connection with the rendering of such services amounted to $815,000 for the three months ended March 31, 1992.

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(15) Commitments and Contingencies

The Company entered into an agreement with Bob Magness (Chairman of the Board of TCI), John Malone (President of TCI and Chairman of the Board of Liberty) and the Kearns-Tribune Corporation ("Kearns-Tribune") which became effective upon consummation of the Exchange and which provides the Company the right upon the occurrence of certain events to require such persons to sell the shares of Liberty common stock owned by them, and would provide such persons the right upon the occurrence of certain events to sell their shares of Liberty common stock, in a registered public offering or to one or more third parties selected by the Company. In each case, the Company would guarantee the sale price for certain of the shares to be sold. Alternatively, the Company could elect to purchase some or all of such shares at the guaranteed price. The guaranteed sale price for shares of Liberty common stock that constitute "Covered Shares" (as defined) would be determined on the basis of the proportionate share that such shares represent of the fair market value of the Company on a going concern or liquidation value basis (whichever method yields a higher valuation), subject to an upward adjustment for taxes.

In the aggregate, 3,614,360 shares of Liberty common stock are currently covered by the agreement. Given the method of determining the guaranteed sale price for their shares, the Company's obligations under this agreement could be substantial. Assuming the guaranteed price determined in accordance with the foregoing formula was $38.25 per share (the quoted market value of a share of Liberty Class A common stock on May 1, 1992), the Company's financial obligations under this agreement, assuming the parties exercised their rights as to all of the aforementioned shares, would be $138,249,000, increased by the tax adjustment and decreased by the amount of any proceeds from the sale of such shares. The number of Dr. Malone's shares that will be covered by this agreement will increase as the 2,000,000 shares of Liberty Class B common stock received by Dr. Malone upon exercise of his option cease to be subject to repurchase by the Company.

The Company leases business offices, has entered into pole rental agreements, and uses certain equipment under lease arrangements. In addition, as of March 31, 1992, ARC had long-term sports program rights contracts which require payments through 1998 aggregating approximately $42,338,000.

The Company has also entered into agreements extending through 2006 with various motion picture studios for nonexclusive licenses to exhibit certain films. As of March 31, 1992, these agreements require minimum payments aggregating approximately $72,718,000.

Liberty guarantees a portion of a certain bank loan of an entity in which Liberty has an investment accounted for by the cost method. However, the amount of such guarantee is limited to $3,750,000 and Liberty will be released from this contingent obligation when certain payments are made.

Liberty, pursuant to a certain agreement, has committed to contribute equity to TKR if the cash flow (as defined) minus capital expenditures plus additional debt capacity of TKR is insufficient to make its debt service payments. No such contributions have been required.

ARC has guaranteed Sunshine's obligation to make payments (aggregating approximately $6,100,000 through 1994) under a certain sports program rights agreement. In addition, ARC has a commitment to advance up to $6,000,000 to Sunshine. However, there were no advances outstanding at March 31, 1992.

(1) Material changes in financial condition:

Liquidity and Capital Resources

The Company (parent) has no lines of credit. Four of the consolidated subsidiaries of the Company have lines of credit. The borrowings of Greater Media Cablevision of Western Oakland County Limited Partnership, Command Cable of Eastern Illinois Limited Partnership and US Cable of Paterson are at the maximum levels of $8,058,000, $6,575,000 and $26,653,000, respectively. The fourth subsidiary, ARC, has a $20 million line of credit. Borrowings under such line of credit amounted to $10 million at March 31, 1992. Additional borrowings under these credit facilities are subject to the respective subsidiaries' continuing compliance with restrictive covenants contained in said credit facilities, which covenants relate primarily to the maintenance of certain levels of subscribers and operating cash flow, as defined. See note 9 to the accompanying consolidated financial statements.

Various partnerships and other affiliates of the Company accounted for under the equity method finance a substantial portion of their acquisitions and capital expenditures through borrowings under their own credit facilities and net cash provided by operating activities. The Company guarantees a portion of a certain bank loan of an entity in which the Company has an investment accounted for by the cost method. However, the amount of such guarantee is limited to $3,750,000 and the Company will be released from this contingent obligation when certain payments are made (expected to occur in March of 1993).

(continued)

(1) Material changes in financial condition (continued):

In connection with the Contribution, Liberty issued several different classes and series of preferred stock to two subsidiaries of TCI. Except in the case of the Class C Redeemable Exchangeable Preferred Stock, which requires payment of cash dividends after March 28, 2006, no cash dividends are payable with respect to such preferred stock. Rather, dividends accrete at the rate applicable to the particular class. In March of 1992, in connection with the Recapitalization, the Company issued $162,002,600 face amount of its Class E, 6% Cumulative Redeemable Exchangeable Junior Preferred Stock. Dividends on this class are payable annually in cash, or at the option of the Company, in shares of its Class A common stock. The annual dividend requirement on this class is approximately $9,720,000. It has not yet been determined whether the dividend will be paid in cash or stock.

Beyond the available cash on hand, available borrowings, cash distributions from affiliates, dividend and interest payments and cash generated from operating activities, Liberty has identified no other sources of funds. The Company expects that the financing needs of its cable television operations, in their present form, will be met by cash provided by operating activities until 1994, at which time certain indebtedness will likely need to be refinanced. The Company presently intends to continue developing its programming operations. The Company has made certain financial commitments relating to the acquisition of sports programming rights. It is expected that, as the Company's programming operations continue to develop, sufficient revenue will be generated to satisfy the aforementioned commitments. However, this continued development may require additional financing and it cannot be predicted whether the Company will have the ability to obtain such additional financing. If additional financing cannot be obtained, the Company could attempt to sell assets but there can be no assurance that asset sales, if any, can be consummated at a price and on terms acceptable to the Company. Further, the Company could attempt to sell equity securities but, again, there can be no certainty that such a sale could be accomplished. The Company's obligations under the Put-Call Agreement described below with Messrs. Magness and Malone and Kearns-Tribune Corporation ("Kearns-Tribune") could be substantial. The actions the Company may be required to take in order to satisfy such obligations (which may include, among other things, sales of assets) could have an adverse effect on the Company's business, financial condition or prospects.

One measure of liquidity is commonly referred to as "interest coverage". Interest coverage, which is measured by the ratio of operating income (loss) before noncash charges [$2,482,000 and $(4,045,000) for the three months ended March 31, 1992 and 1991, respectively] to interest expense ($1,497,000 and $1,783,000 for the three months ended March 31, 1992 and 1991, respectively), is determined by reference to the consolidated statements of operations. The Company's interest coverage ratio was 166% for the three months ended March 31, 1992. During the three months ended March 31, 1991, the interest coverage of the Predecessor Companies resulted in a deficiency of $5,828,000. During such period, the operations of the Predecessor Companies were consolidated with those of TCI and the Predecessor Companies were economically dependent on the financial support of TCI and/or certain of its subsidiaries in order to meet its obligations. TCI is no longer obligated to provide such financial support.

(continued)

(1) Material changes in financial condition (continued):

Certain subsidiaries' loan agreements contain restrictions regarding transfers of funds to the parent company in the form of loans, advances or cash dividends. However, net cash provided by operating activities of other subsidiaries, principally Southern Satellite Systems, Inc. ("Southern"), which are not restricted from making transfers to the parent company are expected to be sufficient to enable the parent company to meet its cash obligations in the near term. In the longer term, the ability of the parent company to meet its cash obligations will be dependent on many factors including, but not limited to, its ability to obtain additional debt and/or equity capital, realize certain of its assets, receive distributions from its affiliates and/or achieve profitable results from its consolidated programming operations.

Subsidiaries of Liberty and TCI created a partnership for the purpose of acquiring and operating cable television systems. The partners each agreed to contribute certain non-cash assets to the partnership and up to $25 million of cash as needed to fund mutually acceptable acquisitions.

The cash provided by operating activities of Southern, which is the satellite carrier for the signal of a major independent television station, exceeds the cash provided by the consolidated operating activities of the Company for the three months ended March 31, 1992. However, Southern does not have an agreement with the independent station with respect to the retransmission of its signal and there are no specific statutory restrictions *per se* which would prevent any other satellite carriers from retransmitting such signal to cable operators and others. If the business of Southern is adversely affected by competitive or other factors, it may have an adverse effect on the ability of Liberty to generate adequate cash to meet its obligations.

The Company has entered into an agreement with certain of its stockholders (see note 15 to the accompanying consolidated financial statements.) Given the size of Mr. Magness', Dr. Malone's and Kearns-Tribune's respective holdings of Liberty common stock, and the method of determining the guaranteed sale price for their shares, the Company's obligations under this agreement if the requisite triggering events (which are generally defined in terms of governmental actions) occur could be substantial and the actions the Company may be required to take in order to satisfy such obligations (which may include, among other things, sales of assets) could have an adverse effect on the Company's business, financial condition or prospects. In addition, the sale of such shares in a public offering could, depending on the size of the offering, adversely affect the market price of the Liberty common stock and could make it more difficult for the Company thereafter to sell its equity securities at times and at prices it might deem appropriate.

(2) Material changes in results of operations:

Cable television revenue was $214,000 lower for the three-month period ended March 31, 1992 than for the corresponding period of 1991, primarily because of the disposition of a cable television subsidiary at the end of 1991. Excluding revenue in the 1991 period produced by the former subsidiary, revenue from the remaining cable television subsidiaries increased by 10% from a combination of growth in subscriber levels and higher subscriber fees.

(continued)

(2) Material changes in results of operations (continued):

Certain proposed changes to the legislative and regulatory environment in which the cable television industry operates could limit future increases in prices charged for cable television service. The effect of such limitations, if imposed, on the future growth of cable television revenue of Liberty cannot be predicted at this time.

Cable television operating expenses, exclusive of depreciation and amortization, decreased by 11% from 1991 to 1992, primarily due to the aforementioned disposition. If the 1991 results of the former subsidiary are excluded, expenses increased by 7%, in large part because of increased programming costs. It is anticipated that the cost of programming will continue to increase in the future as program suppliers increase their rates (faster than the inflation rate) and additional sources of programming become available. Liberty cannot determine whether and to what extent increases in the cost of programming will affect the prices charged by it for its cable television services or the manner in which these services are offered. The Company's consolidated cable subsidiaries generated operating income before depreciation and amortization of approximately $1,050,000 in the first quarter of 1992, compared to nearly $1,200,000 in 1991. Excluding the former subsidiary, the 1991 figure would have been approximately $1,020,000.

Revenue of Liberty's consolidated programming operations increased by approximately 63% from 1991 to 1992. Approximately 36% of this increase is attributable to Encore, a service that was not launched until the second quarter of 1991. The remainder is attributable to increased subscriber fees and advertising revenue associated with subscriber growth and more successful advertising sales efforts within the regional sports networks and Prime Network. Operating expenses, exclusive of depreciation and amortization, increased by 33%. Nearly 25% of this increase is attributable to Encore. The remainder is due to higher expenses associated with higher revenue at certain of the regional sports networks. The Company's consolidated programming businesses generated operating income before depreciation and amortization of approximately $2,000,000, compared to a loss of $2,600,000 in the first quarter of 1991. Approximately one-third of this improvement is attributable to the regional sports business. The remainder is divided nearly equally among the Company's other programming businesses.

Most of the Company's consolidated regional sports networks generated operating losses before depreciation and amortization. These businesses are still being developed and there can be no assurance they will ever become profitable. To become profitable, they must broaden the carriage of their services by cable system operators within their respective regions. Though the services generally have been marketed to these operators already, it is hoped that by improving the quality of the programming, investing in additional sports rights and through various marketing and promotional activities, they will be successful in expanding carriage. Expanded carriage will increase the affiliation fees paid to the networks by the cable system operators as well as generate additional advertising revenue as a result of increased viewership. If these efforts are not successful, it is possible that these businesses will continue to generate significant operating losses and require additional investments by the Company. Depending on their magnitude, any such losses could be material and adversely affect the liquidity of the Company.

(2) Material changes in results of operations (continued):

Other operating expenses of the Company were approximately 71% higher in 1992 then in 1991, primarily because of accrued compensation expenses associated with stock appreciation rights ("SARs") that were granted subsequent to March 31, 1991. No SARs payments were made during the quarter. Depreciation and amortization charges were approximately 16% lower than in the prior period because of the disposition of a cable subsidiary.

Substantially all of the indebtedness of Liberty, other than that under the "Earnout Rights" agreement between ARC and a related party, bears interest at variable rates. Consequently, a general increase in interest rates could have an adverse effect on the result of operations of Liberty.

The net loss (before preferred stock dividend requirement) of $1,911,000 for the three-month period ended March 31, 1992, compares to net income of $1,428,000 during the corresponding period of 1991. Though operating income was nearly $3,700,000 higher than in the prior period, this improvement was offset by the Company's $2,937,000 shares of losses of affiliates (compared to earnings of $659,000 in 1991) and $2,895,000 of income tax expense (compared to $5,000 in 1991).

The share of losses of affiliates was negatively effected by the Company's additional investment in Lenfest and the associated change in its accounting for its Lenfest holdings from the cost method to the equity method. The increase in income tax expense results primarily from the nondeductiblity of the share of losses of Lenfest.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There were no material legal proceedings instituted during the quarter ended March 31, 1992 to which the Company or any of its consolidated subsidiaries is a party or of which any of their property is the subject.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None.

(b) Reports on Form 8-K filed during the quarter ended March 31, 1992:

Date of Report	Item Reported	Financial Statements Filed
January 9, 1992 (as amended by Form 8 amendment dated February 5, 1992)	Item 2	"Liberty Media" - Year ended December 31, 1990 US Cable of Lake County and US Cable of Lake Forest, Inc.: Year ended December 31, 1990 Nine months ended September 30, 1991
February 6, 1992	Item 5	None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LIBERTY MEDIA CORPORATION

Date: May 13, 1992

By: _____
Peter R. Barton, President

Date: May 13, 1992

By: _____
Robert R. Bennett
Senior Vice President,
Treasurer and Secretary
(Principal Financial Officer
and Chief Accounting Officer)

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